

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 OES-03 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SS-15 HEW-02 STR-04 FTC-01

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R 181301Z SEP 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 4569

C O N F I D E N T I A L KINSHASA 8444

DEPT PASS COMERCE

E.O. 11652: GDS

TAGS: ECON, EINV, CG

SUBJECT: PHARMACEUTICAL SECTOR - SITUATION REPORT

REF: KINSHASA 8245

1. SUMMARY. GOZ HAS ACCEPTED STERLING'S OFFER OF HIGH LEVEL MANAGEMENT CONSULTANT TO OVERSEE MANAGERS OF NATIONALIZED PHARMACEUTICAL SECTOR. WARNER-LAMBERT, AS ONLY APPARENT REMAINING CONTENDER, LIKELY TO GET MANAGEMENT CONTRACT. MOOD OF OTHER US FIRMS IN SECTOR VARIES FROM SANGUINE TO DEPRESSED. INFORMATION ON MAGNITUDE OF US INTERESTS INVOLVED NATIONALIZATION BEGINNING TO TRICKLE IN. TOO EARLY FOR OVERALL ESTIMATE. END. SUMMARY.

2. STERLING OFFERED TO MAKE AVAILABLE TO GOZ SERVICES OF THEIR RECENTLY RETIRED PRESIDENT, DAVID M. CORCORAN, AS HIGH LEVEL CONSULTANT TO MINHEALTH IN OVERSEEING
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WHATEVER PROGRAM EVENTUALLY SELECTED FOR MANAGEMENT OF

ZAIRE'S PHARMACEUTICAL IMPORTATION, STOCKING AND DISTRIBUTION SYSTEM. ACCORDING TO VISITING STERLING REP WIER, COMPANY DID NOT HAVE AVAILABLE NECESSARY QUALIFIED PERSONNEL FOR PERFORMANCE OF ACTUAL MANAGEMENT CONTRACT. (HE ALSO ADMITTED IN ASIDE THAT OVERALL RISKS OF ADMINISTERING PROGRAM UNATTRACTIVELY HIGH.) ACCORDING STERLING REP HERE, DR. CLOSE AND MINHEALTH NGWETE ACCEPTED STERLING'S OFFER IN FINAL MEETING WITH WIER SEPT. 15. IN SUBSEQUENT LONG DISTANCE TELEPHONE CONVERSATION CORCORAN AGREED TO COME TO KINSHASA ABOUT SEPTEMBER 29 FOR INITIAL WEEK'S STUDY OF SITUATION AND NEGOTIATION OF OWN PERSONAL SERVICES CONTRACT.

3. MAXWELL OF WARNER-LAMBERT HAD FINAL CONVERSATION WITH CLOSE AND NGWETE BEFORE DEPARTING KINSHASA WEEKEND OF SEPT.13, ACCORDINGLY LOCAL 430, MAXWELL SOMEWHAT DISAPPOINTED THAT GOZ WANTED TO WAIT ANOTHER TEN DAYS BEFORE MAKING FINAL DICI ON ON ACCEPTANCE OF W-L MANAGEMENT PACKAGE. PACKAGE BASED ON ALTERNATIVE TO GOZ OF PAYING FIXED FEE OFF-SHORE OR GUARANTEEING BUSINESS FOR W-L AT AGREED-UPON LEVEL. NEVERTHELESS, AS W-L APPARENTLY ONLY REMAINING CONTENDER FOR JOB, PROSPECTS GOOD THAT GOZ DECISION WILL BE POSITIVE. LOCAL W-L REP SAYS OFFICIAL DECISION SHOULD BE KNOWN BY SEPT. 25.

4. WARNER-LAMBERT DID DISCUSS COMPENSATION DURING LATEST ROUND OF TALKS WITH GOZ. THEY ESTIMATE VALUE OF THEIR PROPERTY TAKEN, EXCLUSIVE OF REAL PROPERTY, TWO MILLION DOLLARS. OF THIS, OVERWHELMING MAJORITY IN STOCKS. PART OF OVERALL FIGURE IS CHAIN OF PHARMACIES (PIAF) VALUED AT 2250 THOUSAND. W-L MADE OFFER THAT IF IMMEDIATE COMPENSATION FORTHCOMING IN ZAIRES RPT IN ZAIRES FOR PIAF, W-L WOULD INVEST ENTIRE DOLLAR EQUIVALENT (\$500 THOUSAND) IN THEIR LOCAL PRODUCTION FACILITY. IN RETURN FOR THIS, GOZ WOULD GRANT W-L INVESTMENT CODE PROTECTION FOR ITS ENTIRE INVESTMENT (CURRENT PLANT WAS PURCHASED FROM THIRD PARTY IN ZIARE AND IS NOT RPT NOT A COVERED BY INVESTMENT CODE AT THIS TIME). GOZ HAS NOT YET AGREED. CONFIDENTIAL

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WE ASSUME FOR TIME BEING THAT REMAINING \$1.5 MILLION PLUS VALUE OF REAL PROPERTY STILL NEGOTIABLE.

5. US-OWNED FIRM SOMEPHAR/PHARISRA INDICATES THAT, WHILE SOMEPHAR IMPORTING AND DISTRIBUTING ACTIVITIES DEAD LETTER, VALUE OF STOCK AND PROPERTIES TAKEN AMOUNTED TO ONLY \$140 THOUSAND. OWNER QUINLAN APPEARS CONFIDENT THAT COMPENSATION WILL BE FORTHCOMING. ON

OTHER SIDE OPERATING AT BRISK CLIP, BUT QUINLAN RECEIVING FREQUENT VISITS FROM DCMF AND MIN HEALTH REPRESENTATIVES EVINCING INTEREST IN PLACING ORDERS FOR SIGNIFICANTLY INCREASED PRODUCTION. QUINLAN SAYS HE WOULD HAVE TO ADD

EXTRA FULL SHIFTS TO MEET PRODUCTION IF ORDERS HITHERTO MENTIONED SHOULD MATERIALIZE. HE HAS JUST DEPARTED FOR TEN-DAY TRIP TO ENGLAND AND ISRAEL TO INVESTIAGE POSSIBLITY OF PURCHASE OF RAW MATERIALS AND MANUFACTURING EQUIPMENT.

6. REPS OF MOST FIRMS OTHER THAN THOSE PREVIOUSLY MENTIONED ARE PESSIMISTIC AS TO PROSPECTS FOR THEIR FUTURE IN ZAIRE AS WELL AS FOR FATE OF AVERAGE ZAIRIAN IN COMING MONTHS IF FACED WITH PRESSING NEED FOR MEDICATION. INDIVIDUALS EXPRESSING THESE OPINIONS RANGE FROM EXPATRIATE EX-MANAGERS OF PHARMACEUTICAL FIRMS TO "CARD-CARRYING" MEMBERS OF MOUVEMENT POPULAIRE DE LA REVOLUTION WHO HELD POSITIONS OF RESPONSIBILITY IN SUCH COMPANIES. TENTATIVE EXCEPTIONS TO THIS MOOD ARE THOSE WHO HAVE TRADITIONALLY DEALT IN NON-PHARMACEUTICALS AS WELL, I.E. COSMETICS, SPECIAL CUTRIENTS, ETC. BUT THEY MUST RECEIVE CLARIFICALTION OF THEIR POSITION FROM GOZ BEFORE TRYING TO CARRY ON. MEAN- WHILE CLARIFICATION AROUND HERE IS ABOUT AS RARE AS FOREIGN EXCHANGE.

7. US FIRMS OTHER THAN THOSE MENTIONED SPECIFICALLY ABOVE ARE ALSO BEGINNING TO SUBMIT COPIES OF THEIR TAKEOVER DOCUMENTS OR SUMMARY APPRAISALS OF PROPERTIES LOST. SOME, HOWEVER, HAVING DIFFICULTIES WITH NEW "GERANT" OR DCMF. IT COULD BE MATTER OF WEEKS BEFORE EMBASSY IN POSITION TO PROVIDE OVERALL FIGURE FOR US
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PROPERTY AFFECTED.
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